

INTERN BRIDGE, INC.

## The Debate Over Unpaid College Internships



Dr. Phil Gardner,  
Lead Research Advisor



Over the past decade, academic researchers have been looking into college internships, both paid and unpaid, to improve our understanding of the constituent elements of this important and widespread national convention. From both a policy standpoint, as well as the legal ramifications of internships, clarity of the issues is both desirable and necessary. Should college administrators, teachers, law-makers, and the business sector strive to construct the strongest, fairest, most generally beneficial architecture for college internships, our knowledge of the subject and all its particulars must be informed by academic research.

In 2010, in particular, a national conversation has arisen in response to growing concerns over the fairness and legality of all college internships, with much of the attention being focused on issues of social class, ethnicity, gender differences, and other socio-economic factors affecting this activity. For law-makers, economists, journalists, academics, and others, a debate is raging in the absence of good data, and reliable information about these complicated issues.

**It is the purpose of this report to contribute to our overall understanding of this important subject, especially with regard to unpaid internships as they exist in our nation today.**

In a survey conducted by Intern Bridge of college and university students throughout the country we learned a great many things: that women are more likely than men to participate in college internships; that academic majors such as Engineering, Computer Science, Agriculture and Natural resources, biological and physical sciences, and Business majors cluster into separate groupings with regard to the types of internships they engage in and with what kinds of sponsors; that our assumptions about who offers the various kinds of internships and who are the recipients, were not necessarily correct. We also gathered valuable data about ethnic breakdown, household income, the role of financial aid, the type of college attended, and grade point average — we discovered that certain fields like Communications and the Arts are more likely to attract unpaid participants. We learned that the non-profit sector remains extremely attractive to those seeking opportunities to develop skills and obtain experiences needed to be successful in the workplace.

The data also showed that, among for-profit companies, smaller firms and establishments held significantly higher levels of unpaid internships than larger companies, and that the utilities, transportation, and manufacturing sectors were less likely to provide unpaid internships while government, health, entertainment, and media sector employers offer the majority of their internships as unpaid.

Our initial findings paint a broad picture of who is likely to be in unpaid internship positions. To refine this picture, we compared those students participating in paid and unpaid internships by family income and type of organization hosting the student, and interactions were examined by adding additional variables into the analysis. A brief look at the results shows that students from high income families were more likely to be found in paid internships with for-profit companies, compared to lower income students who received paid internships at a significantly lower rate and were more likely to have paid internships with non-profits than high income students. High income students were less likely to be in paid internships with government agencies, and among students in unpaid internships, no significant difference was found in the distribution among their host organization by income.

In our examination of gender, the distribution among paid internships approached significance for men and was significant for women. The pattern among men revealed that men from all income groups participated in non-profit paid internships at the same level. For government internships, men from families with incomes less than \$120,000 were more likely to be involved; whereas, men from families with incomes above \$120,000 were more likely to be in for-profit paid internships. Women's pattern in paid internships was more skewed. Women from lower income families were more likely to be in internships with non-profits and government than higher income women students. By in large, women from higher incomes were found in for-profit internships.

Among unpaid internships, no significant differences were found when examining patterns. About half of the men were in unpaid for-profit internships across all income groups. More men from incomes below \$40,000 and between \$80,000 and \$120,000 were involved in unpaid non-profit internships, while a much smaller number of students from low income families were engaged with government agencies. Among women less than half were in unpaid for-profit internships with women from households with \$40,000 to \$80,000 participating at a lower level. About 42% of the women were in non-profit organizations and 18% in government agencies across all income groups.

In the Conclusions and Recommendations sections of this report, comparisons and exceptions are noted for a broad spectrum of criteria, and certain evidence confirmed our assumptions. Our findings do not support the common contention that students from the wealthiest families have greater access to unpaid internships, even among most for-profit companies. We also learned that high income students appear more likely to be engaged in internships, regardless if they are paid or unpaid, with for-profit companies, and that they have very low participation in internships with non-profits organizations and government agencies. This pattern does not suggest that high income students are not civically engaged. It does suggest that when it comes to selecting an internship, high-income students prefer to work for large, for-profit companies who pay their interns.

Finally this report makes suggestions regarding changes that should be undertaken, by schools, businesses, and government to increase equity and fairness in access to internships for all students, and with regard to the economic realities of for-credit internships and the burden they place upon low-income students and families.





## TABLE OF CONTENTS:

Introduction	4
The Sample	5
Who Participates in Unpaid Internships?	6
Who Offers Unpaid Internships?	6
Paid Versus Unpaid: A Comparison by Family Income and Type of Provider	7
For-Profit Unpaid Internships: Only for the Rich?	10
What Did We Learn? Conclusions and Recommendations	12



According to most college and university career advisors and work study counselors, the number of college internships, both paid and unpaid, has steadily risen over the past twenty years. In 2008, the National Association of Colleges and Employers found that 50 percent of graduating students had held some kind of internship during their college career, up from the 17 percent shown in a 1992 study by Northwestern University. With the number of new unpaid internships, outpacing the paid internships being offered, 2010 has seen the advent of a heated national debate among college administrators, economists, the media, and government as to whether unpaid internships are legal, economically discriminatory, racist, and generally fair in terms of who benefits the most — the student or the employer. This debate, which is sometimes quite contentious, concerns questions relating to both for-profit and non-profit internships, and the inherent differences between internships in the manufacturing, service, communications, technology, and financial sectors of our economy.

**The purpose of this report is to summarize and synthesize the discussion into a coherent overview of the subject, and to present the latest research into the various psychosocial and socioeconomic factors pertaining to the topic.**

As a starting point, it is certainly fair to suggest that college internships can be of great benefit to both the student and the employer, with the student often gaining valuable experience, training, and the prospect of future employment, and the employer profiting from cheap or free labor. So far as the legality of internships with regard to federal regulations, the standards are different for paid and unpaid work, as well as for non-profit and for-profit companies. In order to comply with federal law, unpaid internships at for-profit employers must meet six criteria:

1. The training, even though it includes actual operation of the facilities of the employer, is similar to what would be given in a vocational school or academic educational instruction
2. The training is for the benefit of the trainees
3. The trainees do not displace regular employees, but work under their close observation
4. The employer that provides the training derives no immediate advantage from the activities of the trainees, and on occasion the employer's operations may actually be impeded
5. The trainees are not necessarily entitled to a job at the conclusion of the training period
6. The employer and the trainees understand that the trainees are not entitled to wages for the time spent in training.

### **HEREIN LAYS THE CRUX OF THE DEBATE.**

In a New York Times article, published, April 10, 2010, Nancy J. Leppink, the acting director of the U.S. Department of Labor's wage and hour division, said, "If you're a for-profit employer or you want to pursue an internship with a for-profit employer, there aren't going to be many circumstances where you can have an internship and not be paid and still be in compliance with the law." Ms. Leppink went on to suggest that many employers fail to pay, even though their internships do not comply with the six federal legal criteria listed above.

Author, Daniel Akst, who frequently comments on the subject of internships, wrote in the Los Angeles times, June 15, 2010, "The reality is that unpaid internships are a great way of giving the children of affluence a leg up in life. If they really do help young people get permanent jobs in desirable fields, then the current internship system has the effect, however unintended, of reserving this advantage mainly for well-to-do families — families that happen to be disproportionately white. If you're a dyed-in-the-wool libertarian, perhaps you can justify hiring unpaid interns as precisely the kind of activity between consenting adults that the government shouldn't meddle with. But if you aren't—or if you simply believe that an honest day's work deserves an honest day's pay, and that society would be better off if opportunities were open to all — then you have no business hiring these kids for free."

The Economic Policy Institute's 2010 report on unpaid internships and the subsequent clarification of the six-prong test by the Bureau of Labor has swept through the internship community, both on- and off- college and university

campuses. Daniel Akst's view that the privileged have access to prestigious positions because the internships, which open the door to permanent employment, are unpaid and only the wealthy can afford to engage in these activities is primarily based on anecdotal stories. Similar stories based on true accounts have been widely circulated; however, data on unpaid internship participation is sparse. We know that the number of unpaid internships is increasing. Employers responding to Michigan State University's annual college recruiting study in 2008 reported offering more unpaid internships than five years ago; often a company indicated that they provided paid internships to technical or professional students from engineering, computer science, and selected business fields, while unpaid positions were available for other types of positions in human resources, corporate communications, and marketing/sales. From the student perspective there are very few large data sets that can provide a better picture of who is involved in unpaid internships, that can compare involvement between unpaid and paid internships, and that can probe into assumptions about unpaid internships to clarify the policy debate surrounding their existence.

The following research and analysis, conducted by **Intern Bridge**, briefly presents evidence from a large study of undergraduates who are considering, are currently engaged in, or have recently completed an internship, cooperative education assignment, or other relevant career-based work experience on the nature and extent of the unpaid internship.

## \* THE SAMPLE

A total of 27,335 undergraduates at 234 colleges and universities throughout the United States completed Intern Bridge's on-line survey between September and December 2009. Their support was solicited through their institution's career services or internship offices. The survey was modified from a survey used in 2008 with questions that measured career maturity, career self-efficacy, various aspects of the internship experience they expected or encountered, and details about various aspects of their internship experience, including unpaid positions, faculty involvement, and supervisor support.

The profile of respondents reveals that 70% were female, predominately white (67%), with a grade point average above 3.0 (82%), and their average age was 23.8 (80% -- 25 or younger). Over 70% were receiving some form of federal financial aid. Thirty-seven percent were from households earning less than \$40,000 a year; 32% from households with \$40,000 to \$80,000; 21% from households with \$80,000 to \$120,000; and 10% from households with income above \$120,000. These students were attending private colleges and universities (36%), public colleges under 15,000 students (30%) and large public colleges (29%).

At the time the survey was administered 23% indicated that they did not have plans to participate in an internship or similar work experience while in college; 47% were in the process of seeking an internship, co-op or related work experience for the winter, spring, or summer of 2010; 5% were currently engaged in an internship, co-op or work experience; and 25% had recently completed completed an internship or co-op. The analyses reported in this research brief focuses on students who have completed a work-learning experience.

Approximately 6,750 students had completed a work-learning experience at the time of the survey. Pulling out the students who were involved in nursing clinical programs and student teaching (total 381) whose experience was integrated into their curriculum, and the cooperative education students (total 633) who are also in a separate category, the research findings contained in this report focus on the 5,735 students who completed the survey and participated in internships.

### \* WHO PARTICIPATES IN UNPAID INTERNSHIPS? (ASSUMPTIONS)

Several assumptions were made regarding who might participate in unpaid internships and the kinds of internships they engage in. More women are likely to be in unpaid situations because they tend to be more involved in social justice, environmental, and social service issues. Similarly, we would expect students majoring in social sciences, humanities, social services, and possibly sciences to be more engaged in unpaid positions. We also assumed the public viewpoint that students from families with higher income would be more involved in unpaid internships. For some student characteristics, such as type of college attended, grade point average, recipient of financial aid, and ethnic affiliation, we had no a priori belief as to their influence on participation in unpaid internships, so we assumed the null hypothesis that they did not influence participation. **Upon statistical testing, we found the following:**

#### SIGNIFICANT FACTORS IN PARTICIPATION:

- *Women were significantly more likely to be engaged in an unpaid internship (77%).*
- *Academic major ( $F=112.22$ ,  $p=.000$ ) found three clusters of majors. Engineering and computer science majors had the lowest level of unpaid internship (13%) among all majors, reporting 87% in paid positions. Clustered in the middle with more than 50% of their internships being paid were agriculture and natural resources (66%), biological and physical sciences (65%) and business (70%) majors.*
- *Majors reporting more unpaid internships than paid included education (34% paid), social sciences (35% paid), health sciences (39% paid), communications (41% paid) and arts and humanities (43% paid).*
- *Family income was significant but not in the direction assumed. Students with family income below \$80,000 participated in unpaid internships at 46% compared to 40% for students with family income above \$80,000.*
- *Other factors proving not to influence participation in unpaid internships were type of school the student was attending, with students from private colleges and smaller public colleges (fewer than 15,000 students) being more likely to be engaged in unpaid internships. Grade point proved insignificant, but, interestingly, students with GPAs between 3.3 and 3.7 tended to be more involved in unpaid internships than other students. Finally, ethnic affiliation and recipients of federal financial aid had no impact on participation in unpaid internships.*

### \* WHO OFFERS UNPAID INTERNSHIPS? (ASSUMPTIONS)

Based on our familiarity with internship providers we made two assumptions about who would be more likely to be offering unpaid internships. For many years the non-profit sector has hosted the majority of unpaid internships. Given their financial position and volunteer philosophy this should not come as a surprise. Many small employers in the for-profit sector and smaller government agencies can only support students, they contend, if the positions are unpaid. Thus, we expected to find a higher level of unpaid internships among these two groups. Following from these assumptions, the economic sectors of non-profit, health, and education would provide a higher percentage of unpaid internships.

#### SIGNIFICANT FACTORS IN PROVIDING UNPAID INTERNSHIPS:

- *Non-profits proved to be the top provider of unpaid internships with 57% of the internships they offer being unpaid. Government made 48% of their internships available unpaid, and the for-profit sector offered 34% of their internships unpaid.*

- *Smaller firms and establishments (fewer than 100 employees) held significantly higher levels of unpaid internships than larger companies, with over 55% of their internships unpaid. The largest companies (over 5,000 employees) offered fewer than 20% of their internships as unpaid.*

- *Companies in the utilities, transportation, and manufacturing sectors were less likely to provide unpaid internships (less than 17% are unpaid) while government (54%), health (62%), non-profits (63%) and the arts, entertainment and broadcasting (68%) sector employers offer the majority of their internships as unpaid.*

### \* PAID VERSUS UNPAID: A COMPARISON BY FAMILY INCOME AND TYPE OF PROVIDER

The initial findings paint a broad picture of who is likely to be in unpaid internship positions. To refine this picture, we compared those students participating in paid and unpaid internships by family income and type of organization hosting the student (for-profit, non-profit, and government). Interactions were examined by adding additional variables into the analysis.

**TABLE 1.**

A comparison of paid and unpaid internship participants by family income and type of host organizations (reported in percentages)

PAID						UNPAID			
Income		<40K	40-80K	80-120K	>120K	<40K	40-80K	80-120K	>120K
<b>For-Profit Companies</b>	% within row	20	28	28	20	28	30	24	17
	% within column	58	61	65	71	41	42	44	46
<b>Non-Profit Organizations</b>	% within row	28	32	25	19	31	31	22	15
	% within column	23	23	19	19	41	38	37	37
<b>Government Agencies</b>	% within row	30	30	28	12	28	33	24	15
	% within column	18	16	16	11	18	20	19	17

In this comparison of the distribution of students across paid and unpaid internships, separated by type of host organization and family income, several interesting trends were observed. **The distribution among paid internships was significant because:**

- *Students from high income families (above \$120,000) were more likely to be found in paid internships with for-profit companies (71%) compared to lower income students (only 58% of <\$40,000 had paid, for-profit internships).*
- *Lower income students (<\$80,000) were more likely to have paid internships with non-profits than high income students.*
- *High income students were less likely to be in paid internships with government agencies.*

### \* PAID VERSUS UNPAID: A COMPARISON BY FAMILY INCOME AND TYPE OF PROVIDER (CONT.)

Among students in unpaid internships, no significant difference was found in the distribution among their host organization by income. **Several tendencies were observed:**

- *High income students (>\$120,000) were more likely to be involved in unpaid internships in for-profit companies than students from families with less than \$80,000 in income.*
- *Students with incomes less than \$40,000 were more likely to be in unpaid internships with non-profit organizations.*

Next we added in selected descriptive variables as covariates to see if they have an impact on the distribution of unpaid and paid internships. **The first variable included was gender.**

- *The distribution among paid internships approached significance for men and was significant for women. The pattern among men revealed that men from all income groups participated in non-profit paid internships at the same level. For government internships, men from families with incomes less than \$120,000 were more likely to be involved; whereas, men from families with incomes above \$120,000 were more likely to be in for-profit paid internships.*
- *Women's pattern in paid internships was more skewed. Women from lower income families were more likely to be in internships with non-profits (<\$80,000) and government (<\$40,000) than higher income women students. Women from higher incomes were found in for-profit internships.*

The other revealing observation was that over 65% of men were in paid for-profit internships with the remainder evenly distributed over non-profits and government agencies (about 16% each). The level of women's participation in for-profit paid internships never exceeded 67% (highest income) but clustered in the mid-50s. Approximately 25% of the women were in paid non-profit internships and 16% to 20% in government internships.

No significant differences were found when examining patterns among unpaid internships. Approximately, 50% of the men were in unpaid for-profit internships across all income groups. More men from incomes below \$40,000 and between \$80,000 and \$120,000 were involved in unpaid non-profit internships while only 18% of low income (less than \$40,000) were engaged with government agencies. Among women only about 40% were in unpaid for-profit internships with women from households with \$40,000 to \$80,000 participating at a lower level. About 42% of the women were in non-profit organizations and 18% in government agencies across all income groups.

While men participated in unpaid for-profit internships at a higher level than women (50% to 40%), they were more likely to be found in unpaid government internships than women (23% to 18%). Women were more likely to be involved with unpaid assignments in non-profit organizations.

The **type of institution** attended, influenced paid internship participation for private schools and large public campuses. At private colleges, the highest income group was primarily found in for-profit paid internships and least likely to be involved in government internships. Lower income students (below \$80,000) from these schools were heavily concentrated in non-profit paid internships. At the large public institutions, the highest income group almost exclusively participated in paid, for-profit internships (75% of this group). While involvement in non-profit paid internship did not vary across income groups, lower income students (below \$40,000) were more likely to be involved with government agencies in paid internships when compared to students with higher incomes who were not oriented toward participation in paid government opportunities.



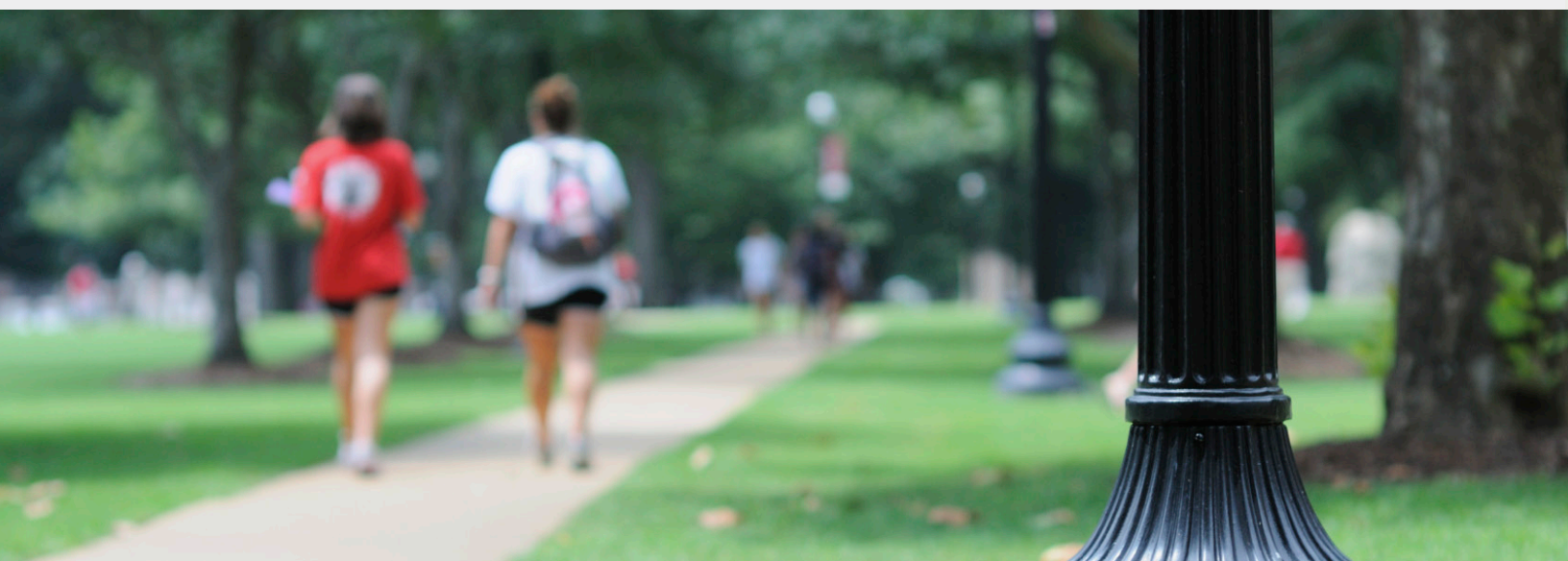
Comparisons across the income groups for unpaid internships found very little difference among the types of institutions. Students from large public universities were likely to be found in for-profit unpaid internships, especially among the high income students. They were also less likely to be involved in unpaid non-profit and government internships.

Academic major offers a window into where unpaid internships are more likely to appear. Because a three way comparison (academic major, family income and paid/unpaid) was complex because of the 72 different combinations, the first analysis compared academic major across family income. In the second step, academic major was replaced by paid or unpaid experiences. A significant difference was found between academic major and family income. **The distribution showed that:**

- *High income students were over-represented in business programs and under-represented in agriculture & natural resources, education, and health majors.*
- *Students reporting family incomes between \$80,000 and \$120,000 were over-represented in engineering, science, and business while under-represented in agriculture & natural resources, education, social sciences, and health majors.*
- *For students from families with income between \$40,000 and \$80,000, they were more likely found in agriculture & natural resources, education, engineering, and health majors but less likely in business, and science.*
- *The low income students were more likely to be in education, health, social sciences, and communications, and less likely to be in business, engineering, and agriculture & natural resources.*

Upon examination of the influence of academic major on paid and unpaid experiences by host organization, significant differences were found among unpaid and paid opportunities. **For unpaid internships:**

- *For-profit companies were over-represented among business, communications, engineering, and health majors, and under-represented among education, social science, and science majors.*
- *Non-profits tended to work more with arts & humanities, education, and social science majors and less likely with business, engineering, and health majors.*
- *Government unpaid internships were over-represented by agriculture & natural resources, education, science, and social science majors, with fewer than expected from business, communication, arts & humanities, and health majors.*



### \* PAID VERSUS UNPAID: A COMPARISON BY FAMILY INCOME AND TYPE OF PROVIDER (CONT.)

#### A SIMILAR ANALYSIS FOR PAID INTERNSHIPS SHOWED:

- *For-profit companies highly favored business and engineering majors, as well as communication majors, while less likely to be involve arts & humanities, education, social sciences, science, and health majors.*
- *Among non-profits, majors from arts & humanities, education, science, social science, and health were over-represented with fewer than expected from business and engineering.*
- *Government's paid internships were over-represented by agriculture and natural resources, education, engineering, science, and social science with fewer from business.*

From this evidence, it appears that the selection of academic major determines the range of paid versus unpaid opportunities that a student will face. Obviously, arts and humanities students, for example, will more likely have internships from non-profits with slightly more unpaid than paid and impacting students with family income of \$40,000 to \$80,000. Some disturbing news emerges that needs to be further examined. For example, government agencies offer few unpaid internships to engineering majors; the vast majority are paid while the internships offered social science majors are tilted heavily to unpaid. Among for-profit companies the focus is on business and engineering majors but the landscape is murkier for communication majors. In this case, for-profits provide about an equal number of paid and unpaid to communication majors. Broadcasting and media companies can explain part of this dichotomy but a more reasonable explanation may be related to company size where small PR, advertising, and media companies provide the unpaid internships, leaving larger companies offering paid internships for the same positions.

### \* FOR- PROFIT UNPAID INTERNSHIPS: ONLY FOR THE RICH?

The public perception, at least in the media, is that students from wealthy families have the ability to participate in unpaid internships in prestigious companies. How true is that? We broke out this group of interns (employed by for-profit organizations) and compared the characteristics of both unpaid and paid internships. We already knew that size made a slight difference. While paid interns were found in larger companies, the difference in company size among unpaid interns was not as pronounced. **We did find these patterns:**

- *Among unpaid interns, we observed that they were over-represented in very small firms (fewer than 9 employees) and in large companies (over 5000 employees).*
- *Among unpaid interns reporting family income of between \$40,000 and \$80,000, we observed that they were more likely to be interning at companies with 10 to 100 employees than other groups.*
- *Among unpaid interns from high income families (over \$120,000), we observed they were more likely not to be in the smallest companies and were overrepresented in companies with 500 to 5000 employees.*
- *Among unpaid interns from families reporting \$40,000 to \$80,000 family income, they were more likely to be in manufacturing, transportation, and health sectors; less likely to be found in retail, finance, and art & entertainment.*
- *Among unpaid interns, reporting family income between \$80,000 and \$120,000, they were more likely to be found in information sciences, art & entertainment and manufacturing sectors; less likely to be in finance, professional services, and education.*



- Among unpaid interns from the highest income group were more likely to be in retail, finance and art & entertainment; less likely to be in manufacturing, education and health sectors.

### **AMONG PAID INTERNSHIPS WE FOUND THESE PATTERNS:**

- Among paid interns from families reporting less than \$40,000, we observed that they were over-represented in the smallest firms compared to other income groups.
- Among paid interns from families reporting \$80,000 to \$120,000 income, they were less likely to be in smallest companies and more likely to be in the largest firms (over 5000 employees).
- Among paid interns with family income over \$120,000, they were more likely to be in larger companies (over 5000).
- Among paid interns from families with an income less than \$40,000, they are more likely to be found in paid internships with retail, information services, and hospitality companies and educational organizations, and less likely in manufacturing, transportation, finance, health and arts & entertainment companies.
- Among paid interns from families with an income between \$40,000 and \$80,000, they are more likely to found in agriculture and natural resources, transportation, health and art & entertainment companies and less likely in utilities and hospitality companies and education organizations.
- Among paid interns from families with an income between \$80,000 and \$120,000, they are more likely to be found in manufacturing and retail and less likely in agriculture and natural resources, transportation, and hospitality companies and education organizations.
- Among paid interns from families with an income above \$120,000 they are more likely to be found in utilities and finance and less likely in agriculture and natural resources, manufacturing, retail, and hospitality companies and education organizations.
- Among paid interns from families with an income under \$80,000, they comprise the majority of paid internships in agriculture and natural resources, transportation, information services, education, health, arts and entertainment, and hospitality.
- Among paid interns from families with an income above \$80,000 they comprise the majority of paid internships in the utilities and finance sectors.

### **Comparisons based on economic sector proved more insightful, especially among paid internships. In these comparisons we observed for unpaid interns:**

- Students from all families reporting less than \$80,000 comprise the highest percentage of unpaid internships in manufacturing, transportation, finance, professional services, education, health, and hospitality sectors.
- Students from all families reporting more than \$80,000 comprise the highest percentage of unpaid internships in arts & entertainment.

\* WHAT DID WE LEARN?

The evidence drawn from the information provided by these recent internship completers confirmed some of our earlier assumptions. First, women are more likely to be engaged in unpaid internships than men. Men seem to prefer, seek, and participate in paid internships with for-profit companies. Second, students majoring in education, social sciences, health sciences, communication, and arts & humanities are more likely to be engaged in unpaid internships.

Our findings do not support the common contention that students from the wealthiest families have greater access to unpaid internships, even among most for-profit companies. Low income students have a much higher level of participation in unpaid internships than students from high income families. It appears that high income students are more likely to be engaged in internships, regardless if they are paid or unpaid, with for-profit companies. They have very low participation in internships with non-profits organizations and government agencies. This pattern does not suggest that high income students are not civically engaged. It does suggest that when it comes to selecting an internship, high-income students prefer to work for large, for-profit companies who pay their interns.

An exception to this conclusion exists in that high income students are willing to take unpaid internships with finance and art & entertainment, including broadcasting companies. The stories we hear of privilege allowing access to coveted careers are almost always drawn from these sectors. Beyond these two sectors, however, we cannot conclude that higher income students are more willing to take unpaid internships. The type of institution appears to have some influence on selection of internship. Students from large public schools appear to prefer paid internships with for-profit companies than students from smaller public institutions and private colleges. This finding could be attributed, in part, to the fact that most of the engineers and computer science respondents came from larger institutions. While students from large institutions do involve themselves in non-profit internships, both paid and unpaid, their involvement is not to the level of private and small publics.

WHERE THE BIGGEST DISCREPANCIES EMERGE IS IN THE ACCESS TO PAID INTERNSHIPS.

High income students through their preferences, social networks, and status, enjoy more opportunities at the largest companies, are more likely to be paid, and have access to a limited number of opportunities in organizations their peers compete fiercely to enter. Simply looking at the pay received by income group shows this reality.

In the following table, the average hourly wage received by students from different households shows a general pattern across all three host organizations. Low income students tend to receive lower pay than high income students with the exception of government agencies for students from families reporting \$40,000 to \$80,000 income. The wage difference between high income students and low income students is significant with respect to for-profit organizations. High income students appear to have connections to companies that offer higher paying internships, are more likely to seek higher paying internships by choice, or their residential location places them in proximity to organizations that pay higher wages.

TABLE 2.  
Average hourly wages paid interns by family income level and type of host organization.

INCOME GROUPS				
	Less than \$40K	\$40K to \$80K	\$80K to \$120K	More than \$120K
For-Profit	\$12.89	\$13.11	\$13.70	\$14.01
Non-Profit	\$9.49	\$9.65	\$9.71	\$9.73
Government	\$11.70	\$12.09	\$11.92	\$11.89
All Wages	\$11.88	\$12.21	\$12.66	\$13.03



While the data presented herein reveal considerable insight into an array of questions pertaining to college internships — paid an unpaid — this is by no means an exhaustive overview of the myriad aspects of this important educational/socioeconomic subject.

Earlier research (see Gardner, Chao and Hurst, 2009) has shown that non-profit employers provide a better experience to students than many for-profit companies. In that study the degree to which employers met their obligations to their interns (providing interesting and challenging assignments, career options, supervision and mentoring) was examined. Students reported non-profit organizations and government agencies met their expectations to a greater extent than students in for-profit internships. The supervision and mentoring they received was ranked the highest among all employing organizations.

The Federal government's six pronged test attempts to clarify an inappropriate unpaid experience. Many companies contend that it costs more to support the student in an internship than the company receives in benefits in the work done. The students in this survey when asked how much the work they did benefited the company rated the benefits highly. For paid positions the average ranking was 4.36 (on a 5-point scale) and for unpaid the ranking was slightly lower at 4.20. (For high income students the rankings were the same for paid and unpaid experiences). In point of fact, it is nonsensical to suggest that interns do not provide benefits to a company, and vice versa.

While the six prong test's intent is to provoke employers to either pay their interns (at least minimum wage) or enter into an educational agreement where the student undertakes the assignment and receives college credit, the present reality places the burden squarely upon the student. To earn the money to pay for the internship credits, students often have to work a second (and even third) job. Information obtained from students who were in unpaid internships at the time of the survey revealed that 75% were also working a second job for pay in order to cover college expenses and the credits for their unpaid internship.

Anecdotally, many students report working as many as 40 to 50 hours per week — and some of those are freshman. Their advisors often do not know they are working beyond their federal work study hours, and they are having trouble meeting assignment deadlines in class because they are working so much. When prioritizing their activities, work for pay comes first, internship or career enhancement comes second, and school work comes last. This, from a great many students when informally questioned on the subject.

A further concern about the six prong test centers on the belief that if an internship is offered for credit, the company's liability is reduced or eliminated. No court cases have established this liability question and companies may be ignorantly adding to the problem by requiring students to carry academic credit when it is not necessary.

In reality the credit requirement is a money maker for many academic departments. At the upper level average credit costs often exceed \$400 per credit. Depending on the number of credits the program requires, students can pay out several thousand dollars to cover their internship credits. What do they get in return? Are faculty involved in advising them on their internships and in reflecting on their experiences when they return? These are important questions to answer before expanding for-credit internship programs. This topic will be taken up in our next research brief.

## **FIXING THE PROBLEM**

No easy fix will eliminate the current problems and disparities in the internship arena. However, several things can be done to alleviate the burden of unpaid internships.

## CONCLUSIONS AND RECOMMENDATIONS (cont.)

### STIPENDS

Make stipends available to low-income students (based on need) upon the completion of their internship that can cover costs incurred and off-set tuition for credits. A program has been started at Northwestern University that can be utilized on nearly all campuses. A similar program at the University of Illinois business school provides stipends to students who intern with small start-up companies that may not be able to provide wages.

### ZERO CREDIT

If academic credit has to be offered, do not penalize the student. Offer internship credit at a 0.0 load or a fraction of a credit, say .25 that will not place an economic burden on the student.

### FEDERAL WORK STUDY

Federal work study allows 25% of campus funds to be used with non-profit organizations to do socially responsible work, and 25% with for-profit companies, located off-campus, as long as the work is consistent with the student's educational-career plan. Most campuses covet their work study funds as budget stabilizers; the work on campus seldom has any career focus for the student. True, many campuses are converting some of their student work study jobs to internships in career focused areas, but these are 10% of the total work assignments students are doing. This sacred cow for institutions needs to be revamped to help students reach their career goals. Allowing federal work study with non-profits and start-up and fast growth companies (all under 100) would be a boon to students. If an organization cannot provide ½ the wage (the federal government provides the other half), which could be as little as \$4.00 an hour, then they probably should not be even offering an internship.

### TIGHTENING UP FOR-PROFIT AND GOVERNMENT INTERNSHIPS

Many for-profit and government agencies, especially at the federal level, are misusing the unpaid internship. It is hard to rationalize why some of the leading investment banks, broadcasting companies, movie production companies, and Congress have elevated the unpaid internship because of the coveted prestige for their positions. These sectors need to set a better example, especially Congress.

### CONCLUDING PROPOSITION

Finally, while it is clear that internships are generally advantageous to both the student and the host organization, it is equally clear that the overall benefit greatly accrues to the student. Off-campus work/study programs provide an invaluable educational asset to students that simply cannot be duplicated in the classroom or through on-campus employment. As such, it is the responsibility of society to provide the means to make internships fair, equitable, and available to the greatest number of young people possible.

#### References:

Edwards, K.A. and Hertel-Fernandez, A. 2010. Paving the way through Paid Internships: A Proposal to Expand Educational and Economic Opportunities for Low-Income College Students. Demos Economic Policy Institute: New York.

Gardner, P.D. 2007. Recruiting Trends 2007-2008. Collegiate Employment Research Institute. Michigan State University: East Lansing.

Gardner, P.D., Chao, G.T., and Hearst, J. 2009. Ready for Prime Time? How Internships and Co-ops Affect Decisions on Full-time Job Offers. Collegiate Employment Research Institute and Monster Research Brief. Michigan State University: East Lansing.

